

Message Text

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ACTION PM-04

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P 101555Z AUG 76

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INFO SECDEF WASHDC//ISA PRIORITY

USCINCEUR VAIHINGEN GER PRIORITY

CDR MICOM REDSTONE ARSENAL AL/DRCPM-KMS PRIORITY

C O N F I D E N T I A L KUWAIT 3804

E.O. 11652: GDS

TAGS: MASS, KU

SUBJ: INDICATION THAT GOK WILL SIGN FMS CASE UCY

REF: A) KUWAIT 3665, B) MICOM 061330Z AUG 76

1. SUMMARY: I MET WITH DEFMIN AUG 10 AT HIS REQUEST TO PURSUE OUR DIS

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CUSSION OF FMS CASE UCY (REF A). DURING BRIEF, VERY FRANK AND SOME-
WHAT TENSE MEETING HE COMPLAINED ABOUT HIGH COST OF RAYTHEON TECHNI-
CIANS, ASKED IF THEY COULD BE REPLACED BY US MILITARY, AND TRIED
TO SEPARATE EQUIPMENT FROM OTHER ELEMENTS OF CASE. I INDICATED
LATTER TWO PROPOSITIONS WERE NOT POSSIBLE AND ASSURED HIM CASE
UCY AS A WHOLE WAS ESSENTIAL TO IMPLEMENTATION OF IHAWK PROGRAM
AND THAT COSTS WERE FAIR FOR SOPHISTICATED TECHNOLOGY GOK WAS
GAINING. IN END, DEFMIN SAID HE WOULD CONSULT WITH FINMIN AND
LET ME HAVE ANSWER NEXT WEEK WHICH MAY BE HOPEFUL SIGN.

2. AT MEETING AUG 10 REQUESTED BY DEFMIN SHAIKH SA'AD TO FOLLOW-UP
OUR EARLIER FISCUTION OF FMS CASE UCY, DEFMIN STARTED DISCUSSION
BY EXPRESSING DISPLEASURE THAT EVEN THOUGH GOK HAD CONTRIBUTED TO
REDUCTION OF UCY CASE COST FROM \$55.4 MILLION TO CURRENT \$42.4
MILLION, BY ARRANGING TO PAY DIRECTLY FOR THIRD COUNTRY TECHNICIANS
AND FOR HOUSING, TRAVEL, ETC., OF RAYTHEON PERSONNEL, THE CURRENT
RAYTHEON PERSONNEL COST WAS STILL UNREASONABLY HIGH. AS EXPECTED,
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THIS WAS HIS MAJOR AND REPEATED COMPLAINT DURING MEETING. HE NOTED

THAT ON MAN-MONTH BASIS, RAYTHEON TECHNICIANS WERE BEING PAID FROM 16 TO 23 THOUSAND DOLLARS A MONTH, AND SARCASTICLY ASKED WHAT ENGINEERS IN US ARE MAKING. HE SAID THAT THERE WAS CLEAR DISTINCTION IN HIS MIND BETWEEN UCY EQUIPMENT AND PERSONNEL COSTS AND ASKED THAT THEY BE SEPARATED SO THAT GOK COULD PURCHASE EQUIPMENT DIRECTLY AND PRESUMABLY NEGOTIATE FURTHER ON PERSONNEL COSTS. HE SUGGESTED THAT REDUCTION IN NUMBER OF RAYTHEON TECHNICIANS MIGHT BE ONE WAY TO LOWER COSTS. SHAIKH SA'AD ALSO INQUIRED WHETHER USG COULD NOT PROVIDE US MILITARY PERSONNEL (OBVIOUSLY AT LOWER COST) TO REPLACE EXPENSIVE RAYTHEON TECHNICIANS.

3. THROUGHOUT MEETING, I REPEATED THEME THAT UCY CASE WAS NOT ONLY KEY PART OF INTEGRAL AIR DEFENSE PACKAGE, BUT THAT THE ELEMENTS OF THIS CASE--MATERIEL, PERSONNEL, AND TECHNOLOGY--WERE THEMSELVES INSEPARABLE. I REJECTED HIS MAN-MONTH COST ANALYSIS, POINTING OUT TO DEFMIN THAT IT COSTS TWICE AS MUCH FOR RAYTHEON TO MAINTAIN AN EMPLOYEE IN KUWAIT THAN IN US, THAT UCY PERSONNEL COSTS ARE NOT SIMPLE SALARY FIGURES, THAT RAYTHEON TECHNICIANS WILL BE SUPPORTED BY HIGHLY SOPHISTICATED CORPORATION WHOSE BACKSTOPPING IS OBVIOUSLY EXPENSIVE BUT INDISPENSABLE ELEMENT IN COMPLEX PROGRAM FOR DEVELOPMENT OF AN AIR DEFENSE SYSTEM. WITH EXCELLENT SUPPORT FROM CHIEF USLOK, I REPEATEDLY POINTED OUT THAT, WITHOUT RAYTHEON EXPERTISE, IHAWK MATERIEL WILL BE USELESS; THUS, RAYTHEON'S SERVICES COULD BE DIVORCED NEITHER FROM EQUIPMENT PROVIDED BY CASE UCY NOR FROM ITS OTHER ELEMENTS, JUST AS MISSING PARTS OF PUZZLE WOULD RESULT IN AN IMPERFECT WHOLE. AT THIS POINT I HAVE DEFMIN ARABIC TRANSLATION OF SUBSTANCE OF REF B WHICH HE READ CAREFULLY.

4. I ALSO INFORMED DEFMIN THAT USG WAS NOT ABLE TO PROVIDE US MILITARY PERSONNEL INSTEAD OF RAYTHEON EXPERTS, NOTING THAT DOD HAS SHORTAGE OF QUALIFIED MILITARY PEROPLE, HAD DEPENDED HEAVILY ON RAYTHEON WHEN US IHAWK PROGRAM BEGAIN, AND STILL USED SOME RAYTHEON SUPPORT. I ALSO UNDERLINED CERTAINTY THAT FAILURE TO SIGN CASE UCY BY SEPT 1 WOULD RESULT IN INCREASED COSTS ACROSS THE BOARD. MOREOVER, I NOTIFIED DEFMIN (AND CHIEF, USLOK CONFIRMED THIS POINT) THAT ALL COSTS ASSOCIATED WITH UCY CASE WILL BE AUDITED BY DEFENSE CONTRACTING AUDITING AGENCY TO ASSURE THAT ALL COSTS COMPLY WITH USG PROCUREMENT REGULATIONS, NOTING US INTEREST IN COOPERATING WITH GOK TO PROVIDE FOR ITS OWN DEFENSE AT REASONABLE COST AMO NOT MERE INTEREST IN SELLING ARMS. FINALLY, I SIGGESTED THAT GOK

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SHOULD RELY MORE ON USG ASSURANCES IN DEVELOPING THIS PROGRAM OF AIR DEFENSE COOPERATION IN WHICH WE WERE SEEKING TO HELP THEM OBTAIN A FIRST-CLASS AIR DEFENSE SYSTEM AT A FAIR AND HONEST COST.

5. IN THE END, DEFMIN STATED THAT HE COULD NOT GIVE ME HIS ANSWER TODAY, SAYING THAT HE WOULD HAVE TO CONSULT WITH MINFIN AL-ATEEQI WHICH HE PROPOSED TO DO WITHIN THE NEXT FEW DAYS. WHEN I ASKED

WHEN I MIGHT NEXT EXPECT TO HEAR FROM HIM, RE REPLIED WITHIN THE NEXT WEEK, ADDING THAT HE REALIZED THAT TIME WAS GETTING VERY SHORT.

6. COMMENT: DESPITE SHAIKH SA'AD'S RATHER AGGRESSIVE ATTACK ON WHAT HE CONSIDERED THE HIGH RAYTHEON MAN-MONTH COSTS AND HIS EFFORT TO SPLIT THE UCY CASE, WHICH WE EXPECTED AND FIRMLY REJECTED, I FEEL ENCOURAGED THAT GOK IS READY TO TAKE THE PLUNGE AND SIGN THE UCY CASE BEFORE AUG 31, UNLESS THERE ARE SOME OTHER NEGATIVE FACTORS WHICH HE DID NOT MENTION AND OF WHICH WE ARE UNAWARE. MY REASON FOR THIS IS THAT HE NOW IS GOING TO DISCUSS THIS MATTER WITH AL-ATEEQI RATHER THAN WITH HIS MILITARY STAFF. SINCE SIGNING OF THE CASE REQUIRES IMMEDIATE FUNDING - AND THE RECENTLY APPROVED DEFENSE BUDGET IS AMPLE - THIS WOULD SEEM TO BE THE LAST STAGE IN THIS LONG AND DIFFICULT NEGOTIATION, I HOPE.
MAESTRONE

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